

**CITY OF MOUNTLAKE TERRACE**  
**Snohomish County, Washington**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Federal Findings**

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1. City Officials Should Ensure That Payroll Charges To Federal Programs Are Properly Supported

Our audit of the Federal Emergency Management Agency (FEMA) Disaster Assistance program disclosed that the city's time distribution records did not support payroll charges to the program.

The city does have a project costing payroll system which allows employees to charge time to specific projects. However, at the time the disaster event occurred, city officials were not aware that they would be eligible for federal funding. Therefore, a specific project code was not set up for employees to record time spent on repair and clean up work related to the disaster event.

The city reconstructed payroll costs from timesheets based on employee attendance and regular project codes that were used which related to the area of the FEMA projects. The summary of reconstructed labor costs was reviewed and approved by a FEMA representative.

The U.S. Office of Management and Budget (OMB) Circular A-87 establishes principles and standards for local governments to determine costs that are eligible to federal grant programs. Among those standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees.
- b. Salaries and wages of employees chargeable to more than one cost objective must be supported by time distribution records.

Our review of the city's payroll records and computations employed to reconstruct these project costs indicated to us that the amounts claimed for federal participation appear reasonable. However, we must also report that in the absence of adequate time distribution and attendance records, salaries and benefits charged to the FEMA Disaster Assistance program are not properly supported.

We recommend that the city implement procedures designed to ensure compliance with OMB Circular A-87, *Cost Principles*, for future projects which might involve federal participation.